

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A
COMPLIANCE ORDER AGAINST YESO ENERGY, INC. FINDING THAT THE
OPERATOR IS IN VIOLATION OF 19.15.4.201 NMAC AS TO SIX WELLS,
DETERMINING THAT THE VIOLATION IS KNOWING AND WILLFUL AND
IMPOSING A PENALTY, REQUIRING OPERATOR TO BRING SAID WELLS
INTO COMPLIANCE WITH 19.15.4.201 NMAC BY A DATE CERTAIN, AND IN
THE EVENT OF NON-COMPLIANCE DECLARING THE WELLS
ABANDONED, AUTHORIZING THE DIVISION TO PLUG THE WELLS AND
FORFEIT THE APPLICABLE FINANCIAL ASSURANCE, EDDY, LEA AND
ROOSEVELT COUNTIES, NEW MEXICO.**

CASE NO. 13921

Affidavit of Dorothy Phillips

STATE OF NEW MEXICO)
) SS.
COUNTY OF SANTA FE)

Dorothy Phillips, being first duly sworn on oath, states as follows:

1. I have been employed as the bond administrator at the Santa Fe, New Mexico office of the Oil Conservation Division ("OCD") since 1997.

2. My duties include maintaining records of financial assurance documents filed by operators pursuant to NMSA 1978, Section 70-2-14.

3. I have reviewed OCD's financial assurance records to determine if financial assurance documents are on file for the following wells:

• Connie C State #003	30-015-25587	K-25-19S-28E
• Connie C State #004	30-015-25648	B-25-19S-28E
• Cortland Myers Unit #004	30-025-11198	N-22-24S-37E
• Knight #005	30-025-20356	M-22-24S-37E
• Las Cruces B #001	30-041-00234	1-30-08S-37E
• Tracy 29 Federal #001	30-015-28142	O-29-17S-31E

4. ONGARD (oil and natural gas administration and revenue data base) maintains data on the financial assurances posted by operators. Attachment "A" to this affidavit consists of a printout of the ONGARD screen showing that Yeso Energy, Inc. posted the following financial assurances pursuant to NMSA 1978, Section 70-2-14:

- Blanket Plugging Bond No. BOO1414, \$50,000, through U.S. Specialty Insurance Company;
- One-well Plugging Bond No. BOO1616, \$5,000 for the Connie C State #004, through U.S. Specialty Insurance Company;
- One-well Plugging Bond No. BOO1615, \$5,000 for the Connie C State #003, through U.S. Specialty Insurance Company;
- Letter of Credit No. 25446-SA, \$9,000 for the Knight No. 5, on deposit with the Frost Bank.

5. Attachment "B" to this affidavit is a copy of Blanket Plugging Bond No. BOO1414.

6. Attachment "C" to this affidavit is a copy of One-well Plugging Bond No. BOO1616.

7. Attachment "D" to this affidavit is a copy of One-well Plugging Bond No. BOO1615.

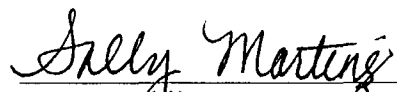
8. Attachment "E" to this affidavit is a copy of the Letter of Credit No. 25446-SA, with its amendment establishing the letter of credit for Yeso Energy, Inc.

9. According to OCD records, the four financial assurances identified in Paragraph 4 remain in effect.

THIS CONCLUDES MY AFFIDAVIT.


Dorothy Phillips

SUBSCRIBED AND SWORN before me this 18th day of May, 2007.


Notary Public

My Commission Expires:

3-24-2010

CMD :
OG6CBBD

ONGARD
CAPTURE BLANKET BONDS

05/18/07 14:49:00
OGODLP -TQCT

OGRID Identifier : 221710 Bond Idn : 249656 Bond Status : A
Operator Name, Address : YESO ENERGY, INC.
P.O. BOX 8280
3103 YESO
ROSWELL, NM 88202

Bond Details- Type (Cash/Surety - C/S): S Bond Co Idn: 12 Amount: 50000.00
Company OGRID Identifier: 224244
Company Name, Address : U.S. SPECIALTY INSURANCE COMPA
13403 NORTHWEST FREEWAY
HOUSTON, TX 77040

Limited as to future Liability (Y/N) : N If Limited, End Date :

Effective Date : 01-01-1900 Cancellation Date : 12-31-9999

Issuer Bond No : B001414

E6414: Press PF10 to scroll forward.

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07	PF08	PF09 PRINT	PF10 NXTBOND	PF11	PF12

CMD :
OG6CWBD

ONGARD
CAPTURE SINGLE WELL BOND

05/18/07 14:50:59
OGODLP -TQCT

OGRID Identifier : 221710 API Well No : 30 15 25648
Operator Name, Address : YESO ENERGY, INC.
P.O. BOX 8280
3103 YESO
ROSWELL,NM 88202

Bond Idn : 249289 Bond Status : A Prop Idn : 32906

Prop Name : CONNIE C STATE Well No : 004
U/L Sec Township Range North/South East/West Lot Idn
--- --- -----
Surface Locn : B 25 19S 28E FTG 990 F N FTG 1980 F E

API County : 15

Bond Details : Type (Cash/Surety - C/S) : S Bond Co Idn : 12 Amt : 5000

Company OGRID Identifier : 224244

Company Name, Address : U.S. SPECIALTY INSURANCE COMPA
13403 NORTHWEST FREEWAY
HOUSTON,TX 77040

Effective Date : 01-01-1900

Cancellation Date : 12-31-9999

Issuer Bond No : B001616

E0005: Enter data to modify or PF keys to scroll

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07	PF08	PF09 COMMENT	PF10 NXTBOND	PF11	PF12

CMD :
OG6CWBD

ONGARD
CAPTURE SINGLE WELL BOND

05/18/07 14:50:22
OGODLP -TQCT

OGRID Identifier : 221710 API Well No : 30 15 25587
Operator Name, Address : YESO ENERGY, INC.
P.O. BOX 8280
3103 YESO
ROSWELL,NM 88202

Bond Idn : 249288 Bond Status : A Prop Idn : 32906

Prop Name : CONNIE C STATE Well No : 003
U/L Sec Township Range North/South East/West Lot Idn
--- --- -----

Surface Locn : K 25 19S 28E FTG 1650 F S FTG 1930 F W

API County : 15

Bond Details : Type (Cash/Surety - C/S) : S Bond Co Idn : 12 Amt : 5000

Company OGRID Identifier : 224244

Company Name, Address : U.S. SPECIALTY INSURANCE COMPA
13403 NORTHWEST FREEWAY
HOUSTON,TX 77040

Effective Date : 01-01-1900

Cancellation Date : 12-31-9999

Issuer Bond No : B001615

E0005: Enter data to modify or PF keys to scroll

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07	PF08	PF09 COMMENT	PF10 NXTBOND	PF11	PF12

CMD :
OG6CWBD

ONGARD
CAPTURE SINGLE WELL BOND

05/18/07 14:51:17
OGODLP -TQCT

OGRID Identifier : 221710 API Well No : 30 25 20356
Operator Name, Address : YESO ENERGY, INC.
P.O. BOX 8280
3103 YESO
ROSWELL, NM 88202

Bond Idn : 250260 Bond Status : A Prop Idn : 303121

Prop Name : KNIGHT Well No : 005
U/L Sec Township Range North/South East/West Lot Idn
--- --- --- --- --- ---

Surface Locn : M 22 24S 37E FTG 1315 F S FTG 5 F W

API County : 25

Bond Details : Type (Cash/Surety - C/S) : C Bond Co Idn : 13 Amt : 9000

Company OGRID Identifier : 213657

Company Name, Address : FROST NATIONAL BANK

PO BOX 1600

SAN ANTONIO, TX 78296-1600

Effective Date : 01-01-1900

Cancellation Date : 12-31-9999

Issuer Bond No : LOC25446-SA

E0005: Enter data to modify or PF keys to scroll.

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06 CONFIRM
PF07 PF08 PF09 COMMENT PF10 NXTBOND PF11 PF12

STATE OF NEW MEXICO

\$50,000 BLANKET PLUGGING BOND

BOND NO. B001414

File with the OIL CONSERVATION DIVISION, 1220 South St. Francis, Santa Fe, New Mexico 87505

KNOW ALL MEN BY THESE PRESENTS:

That Yeso Energy, Inc., (an individual) (a general partnership) (a corporation, limited liability company or limited partnership organized in the State of New Mexico, and authorized to do business in the State of New Mexico), as **PRINCIPAL**, and U.S. Specialty Insurance Company, a corporation organized and existing under the laws of the State of Texas and authorized to do business in the State of New Mexico, as **SURETY**, are firmly bound unto the State of New Mexico for the use and benefit of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (or successor agency) (the **DIVISION**) pursuant to NMSA 1978, Section 70-2-14, as amended, in the sum of **Fifty Thousand Dollars (\$50,000)** for the payment of which the **PRINCIPAL** and **SURETY** hereby bind themselves and their successors, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, the **PRINCIPAL** has commenced or may commence the drilling of a well or wells to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals on privately owned or state owned lands within the State of New Mexico, or does own or operate, or may acquire, own or operate such a well or such wells, the identification and location of said wells being expressly waived by both **PRINCIPAL** and **SURETY**.

NOW, THEREFORE, if the **PRINCIPAL** and **SURETY** or either of them or their successors or assigns, or any of them, shall cause all of said wells to be properly plugged and abandoned when dry or when no longer productive or useful for other beneficial purpose, in accordance with the rules and orders of the **DIVISION**, including but not limited to Rules 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 NMAC], as such rules now exist or may hereafter be amended;

THEN AND IN THAT EVENT, this obligation shall be null and void; otherwise, and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

PROVIDED HOWEVER, that 30 days after receipt by the **DIVISION** of written notice of cancellation from the **SURETY**, the obligation of the **SURETY** shall terminate as to wells acquired, drilled or started, or of which **PRINCIPAL** assumes operation, after said 30-day period, but shall continue in effect, notwithstanding said notice, as to wells theretofore acquired, drilled, started or operated.

Yeso Energy, Inc.

PRINCIPAL

P.O. Box 2248, Roswell, NM 88202

Address

By ✓

Therese E. Lee
Signature
Pres.

Title

U.S. Specialty Insurance Company

SURETY

13403 Northwest Freeway,
Houston, Texas 77040

Address

By W. Russell Brown, Jr.

Attorney - In-Fact W. Russell Brown, Jr.

If **PRINCIPAL** is a corporation, affix
corporate seal here.

Corporate surety affix
corporate seal here.

Yeso Energy, Inc.
Case 13921
OCD Exhibit 2-B

ACKNOWLEDGMENT FORM FOR INDIVIDUAL

STATE OF _____)
 COUNTY OF _____) ss.

This instrument was acknowledged before me on _____, 20__ by _____
 (Name of Individual)

 Notary Public

SEAL

My Commission Expires _____

✓ ACKNOWLEDGMENT FORM FOR PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY

STATE OF New Mexico)
 COUNTY OF CHAVES) ss.

This instrument was acknowledged before me on 1-18, 2005 by HOYT E. LEE
 (Name of Person Signing Instrument)
 as President of Yaso Energy, Inc.
 (Capacity, e.g., partner, president, manager, member) (Name of partnership, corporation or limited liability company)

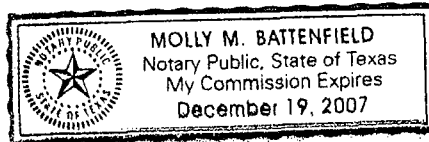
Betty L. Irest
 Notary Public

SEAL

Sept 27th 2007
 My Commission Expires

ACKNOWLEDGMENT FORM FOR CORPORATE SURETY

STATE OF Texas)
 COUNTY OF Harris) ss.



This instrument was acknowledged before me on 12/22, 2004 by W. Russell Brown, Jr.
 (Name of Attorney in fact)
 as Attorney-in-Fact for U.S. Specialty Insurance Company
 (Name of corporate surety)

Molly M. Battenfield
 Notary Public

SEAL

December 19, 2007
 My Commission Expires

Corporate surety attach power of attorney

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By David K. Brooks
 Date 4/12/05

STATE OF NEW MEXICO

\$50,000 BLANKET PLUGGING BOND

BOND NO. B001414

File with the OIL CONSERVATION DIVISION, 1220 South St. Francis, Santa Fe, New Mexico 87505

KNOW ALL MEN BY THESE PRESENTS:

That Yeso Energy, Inc., (an individual) (a general partnership) (a corporation, limited liability company or limited partnership organized in the State of New Mexico, and authorized to do business in the State of New Mexico), as PRINCIPAL, and U.S. Specialty Insurance Company, a corporation organized and existing under the laws of the State of Texas and authorized to do business in the State of New Mexico, as SURETY, are firmly bound unto the State of New Mexico for the use and benefit of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (or successor agency) (the DIVISION) pursuant to NMSA 1978, Section 70-2-14, as amended, in the sum of **Fifty Thousand Dollars (\$50,000)** for the payment of which the PRINCIPAL and SURETY hereby bind themselves and their successors, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, the PRINCIPAL has commenced or may commence the drilling of a well or wells to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals on privately owned or state owned lands within the State of New Mexico, or does own or operate, or may acquire, own or operate such a well or such wells, the identification and location of said wells being expressly waived by both PRINCIPAL and SURETY.

NOW, THEREFORE, if the PRINCIPAL and SURETY or either of them or their successors or assigns, or any of them, shall cause all of said wells to be properly plugged and abandoned when dry or when no longer productive or useful for other beneficial purpose, in accordance with the rules and orders of the of DIVISION, including but not limited to Rules 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 NMAC], as such rules now exist or may hereafter be amended;

THEN AND IN THAT EVENT, this obligation shall be null and void; otherwise, and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

PROVIDED HOWEVER, that 30 days after receipt by the DIVISION of written notice of cancellation from the SURETY, the obligation of the SURETY shall terminate as to wells acquired, drilled or started, or of which PRINCIPAL assumes operation, after said 30-day period, but shall continue in effect, notwithstanding said notice, as to wells theretofore acquired, drilled, started or operated.

Yeso Energy, Inc.

PRINCIPAL

P.O. Box 2248, Roswell, NM 88202

Address

By ✓

Signature

Title

U.S. Specialty Insurance Company

SURETY

13403 Northwest Freeway,
Houston, Texas 77040

Address

By W. Russell Brown, Jr.

Attorney - In-Fact W. Russell Brown, Jr.

IF PRINCIPAL is a corporation, affix
corporate seal here.

Corporate surety affix
corporate seal here.

Yeso Energy, Inc.
Case 13921
OCD Exhibit 2-B

ACKNOWLEDGMENT FORM FOR INDIVIDUAL

STATE OF _____)
 COUNTY OF _____) ss.

This instrument was acknowledged before me on _____, 20____ by _____
 (Name of Individual)

 Notary Public

SEAL

My Commission Expires _____

✓ ACKNOWLEDGMENT FORM FOR PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY

STATE OF New Mexico)
 COUNTY OF CHAVES) ss.

This instrument was acknowledged before me on 1-18, 2005 by Hoyt E. Lee
 (Name of Person Signing Instrument)
 as President of Yaso Energy, Inc.
 (Capacity, e.g., partner, president, manager, member) (Name of partnership, corporation or limited liability company)

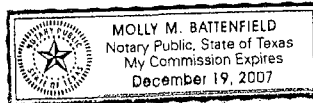
Betty L. Arant
 Notary Public

SEAL

Sept 27 - 2007
 My Commission Expires

ACKNOWLEDGMENT FORM FOR CORPORATE SURETY

STATE OF Texas)
 COUNTY OF Harris) ss.



This instrument was acknowledged before me on 12/22, 2004 by W. Russell Brown, Jr.
 (Name of Attorney in fact)
 as Attorney-in-Fact for U.S. Specialty Insurance Company
 (Name of corporate surety)

Molly M. Battenfield
 Notary Public

SEAL

December 19, 2007
 My Commission Expires

Corporate surety attach power of attorney

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By David K. Brath
 Date 4/12/05

POWER OF ATTORNEY

PA001414

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

Know All Men by These Presents That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the Executive Vice President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

In Witness Whereof, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its Executive Vice President, and its corporate seal to be hereto affixed this 13th of December, 2004.

Corporate Seal

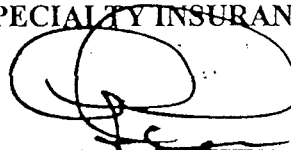
State of Texas

County of Harris

ss:

U. S. SPECIALTY INSURANCE COMPANY

By



Edward H. Ellis, Jr., Executive Vice President

On this 13th of December, 2004 before me personally came Edward H. Ellis, Jr., to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is Executive Vice President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal



SHERRI GIBSON
MY COMMISSION EXPIRES
October 17, 2005



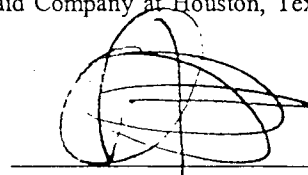
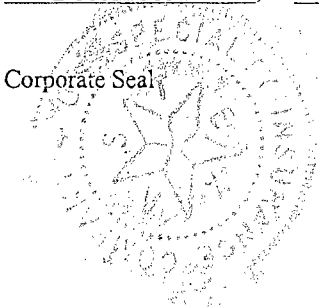
Notary Public

My commission expires 10-17-05

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 22nd day of December, 2004.

Corporate Seal



Christopher L. Martin, Secretary

**Important Notice Regarding
Terrorism Risk Insurance Act of 2002**

In accordance with the Terrorism Risk Insurance Act of 2002 (the "Act"), this disclosure notice is provided for surety bonds on which U.S. Specialty Insurance Company is the issuing surety.

The premium attributable to any bond coverage for "acts of terrorism" as defined in Section 102(1) of the Act is Zero Dollars (\$0.00).

The United States will reimburse the Issuing Sureties for ninety percent (90%) of any covered losses from terrorist acts certified under the Act exceeding the applicable surety deductible.

The actual coverage provided by your bond for acts of terrorism, as is true for all coverages, is limited by the terms, conditions, exclusions, penalties, limits, other provisions of your bond and the underlying contract, any endorsements to the bond and generally applicable rules of law. This Important Notice Regarding Terrorism Insurance Risk Act of 2002 is for informational purposes only and does not create coverage nor become a part or condition of the attached document.

The rest of this page is intentionally left blank.

STATE OF NEW MEXICO

ONE-WELL PLUGGING BOND

For CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT,
SANDOVAL, AND SAN JUAN COUNTIES ONLY

BOND NO. B001616
AMOUNT OF BOND \$5,000.00
COUNTY Eddy

NOTE: For wells less than 5,000 feet deep, the minimum bond is **\$5,000.00***
For wells 5,000 to 10,000 feet deep, the minimum bond is **\$7,500.00***
For wells more than 10,000 feet deep, the minimum bond is **\$10,000.00**

*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, e.g., a well being drilled under a \$5,000.00 bond may be permitted to go to 5,500 feet and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, NM 87505

KNOW ALL MEN BY THESE PRESENTS:

That Yeso Energy, Inc., (an individual) (a general partnership) (a corporation, limited liability company or limited partnership organized in the State of New Mexico, and authorized to do business in the State of New Mexico), as PRINCIPAL, and U.S. Specialty Insurance Company, a corporation, organized and existing under the laws of the State of Texas and authorized to do business in the State of New Mexico, as SURETY, are firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (or successor agency) (the DIVISION), pursuant to NMSA 1978, Section 70-2-14, as amended, in the sum of Five Thousand and no/100, for the payment of which the PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, the PRINCIPAL has commenced or may commence the drilling of one well to a depth not to exceed 5,000 feet, to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or does own or operate, or may acquire, own or operate such well, the identification and location of said well being:

Connie C State #4, located 990' feet from the North (North/South)
(Name of well)
line and 1980' feet from the East (East/West) line of Section 25 Township 19 (~~NORTH~~)
(South), Range 28 (East) (~~West~~), NMPM, Eddy County, New Mexico.

NOW, THEREFORE, if the PRINCIPAL and SURETY or either of them, or their successors or assigns or any of them, shall cause said well to be properly plugged and abandoned when dry or when no longer productive or useful for other beneficial purpose, in accordance with the rules and orders of the DIVISION, including but not limited to Rules 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 NMAC], as such rules now exist or may hereafter be amended;

THEN AND IN THAT EVENT, this obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Yeso Energy, Inc.
PRINCIPAL
PO Box 8280, Roswell, N.M. 88202-8280
Address
By [Signature]
Signature
Pres.
Title

If PRINCIPAL is a corporation, affix
corporate seal here.

U.S. Specialty Insurance Company
SURETY
13403 Northwest Freeway, Houston, Texas 77056
Address
[Signature]
Attorney-in-Fact
W. Russell Brown, Jr.
Corporate surety affix
corporate seal here.

Yeso Energy, Inc.
Case 13921
OCD Exhibit 2-C

STATE OF NEW MEXICO

ONE-WELL PLUGGING BOND

For CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT,
SANDOVAL, AND SAN JUAN COUNTIES ONLY

BOND NO. B001616
AMOUNT OF BOND \$5,000.00
COUNTY Eddy

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File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, NM 87505

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Connie C State #4, located 990' feet from the North (North/South)
(Name of well)
line and 1980' feet from the East (East/West) line of Section 25 Township 19 (~~XXXX~~)
(South), Range 28 (East) (~~XXXX~~), NMPM, Eddy County, New Mexico.

NOW, THEREFORE, if the PRINCIPAL and SURETY or either of them, or their successors or assigns or any of them, shall cause said well to be properly plugged and abandoned when dry or when no longer productive or useful for other beneficial purpose, in accordance with the rules and orders of the DIVISION, including but not limited to Rules 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 NMAC], as such rules now exist or may hereafter be amended;

THEN AND IN THAT EVENT, this obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Yeso Energy, Inc.
PRINCIPAL

PO Box 8280, Roswell, N.M. 88202-8280

Address

By

Signature

Title

If PRINCIPAL is a corporation, affix
corporate seal here.

U.S. Specialty Insurance Company
SURETY

13403 Northwest Freeway, Houston, Texas 77056

Address

Attorney-in-Fact

W. Russell Brown, Jr.

Corporate surety affix
corporate seal here.

Yeso Energy, Inc.
Case 13921
OCD Exhibit 2-C

ACKNOWLEDGMENT FORM FOR INDIVIDUAL

STATE OF _____)
) ss.
 COUNTY OF _____)

This instrument was acknowledged before me on _____, 20__ by _____
 (Name of Individual)

 Notary Public

SEAL

My Commission Expires _____

ACKNOWLEDGMENT FORM FOR PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY

STATE OF NEW MEXICO)
) ss.
 COUNTY OF EDDY)

This instrument was acknowledged before me on 4/26, 2005 by H. E. Gene Lee
 (Name of Person Signing Instrument)
 as President of YESO ENERGY, INC., a New Mexico corporation
 (Capacity, e.g., partner, president, manager, member) (Name of partnership, corporation or limited liability company)

Sue C. Pemberton
 Notary Public

SEAL

October 29, 2008
 My Commission Expires

ACKNOWLEDGMENT FORM FOR CORPORATE SURETY

STATE OF Texas)
) ss.
 COUNTY OF Harris)

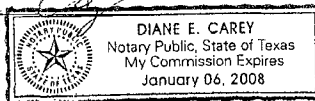
This instrument was acknowledged before me on April 26, 2005 by W. Russell Brown, Jr.
 (Name of Attorney in fact)
 as Attorney-in-Fact for U.S. Specialty Insurance Company
 (Name of corporate surety)

Diane E. Carey
 Notary Public

SEAL

January 6, 2008
 My Commission Expires

Corporate Surety attach Power of Attorney



APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By David K. Brooks

Date 5/5/05

**Important Notice Regarding
Terrorism Risk Insurance Act of 2002**

In accordance with the Terrorism Risk Insurance Act of 2002 (the "Act"), this disclosure notice is provided for surety bonds on which U.S. Specialty Insurance Company is the issuing surety.

The premium attributable to any bond coverage for "acts of terrorism" as defined in Section 102(1) of the Act is Zero Dollars (\$0.00).

The United States will reimburse the Issuing Sureties for ninety percent (90%) of any covered losses from terrorist acts certified under the Act exceeding the applicable surety deductible.

The actual coverage provided by your bond for acts of terrorism, as is true for all coverages, is limited by the terms, conditions, exclusions, penalties, limits, other provisions of your bond and the underlying contract, any endorsements to the bond and generally applicable rules of law. This Important Notice Regarding Terrorism Insurance Risk Act of 2002 is for informational purposes only and does not create coverage nor become a part or condition of the attached document.

YOU SHOULD KNOW THAT COVERAGE PROVIDED BY THIS POLICY, IF WRITTEN, FOR LOSSES CAUSED BY CERTIFIED ACTS OF TERRORISM, WILL BE EXCLUDED IF THE U.S. GOVERNMENT FAILS TO ENACT AN EXTENSION TO TRIA OR ENACTS CHANGES TO TRIA THAT SUBSTANTIALLY CHANGE THE RISK OF LOSS THAT AN INSURER OR POLICYHOLDER HAS ASSUMED.

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POWER OF ATTORNEY

PA001616

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

Know All Men by These Presents That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver **any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000)** and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the Executive Vice President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

In Witness Whereof, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its **Executive Vice President**, and its corporate seal to be hereto affixed this 15th day of March, 2005.

Corporate Seal

U. S. SPECIALTY INSURANCE COMPANY
By



Edward H. Ellis, Jr., Executive Vice President

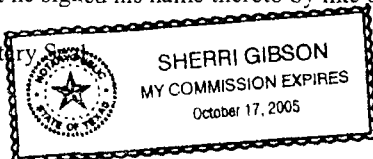
State of Texas


County of Harris

ss:

On this 15th day of March, 2005 before me personally came Edward H. Ellis, Jr., to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is Executive Vice President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal



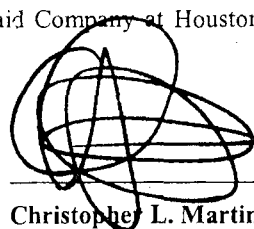
 Notary Public

My commission expires 10-17-05

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 26th day of April, 2005.

Corporate Seal



Christopher L. Martin, Secretary

STATE OF NEW MEXICO

ONE-WELL PLUGGING BOND

For CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT,
SANDOVAL, AND SAN JUAN COUNTIES ONLY

BOND NO. B001615
AMOUNT OF BOND \$5,000.00
COUNTY Eddy

NOTE: For wells less than 5,000 feet deep, the minimum bond is **\$5,000.00***
For wells 5,000 to 10,000 feet deep, the minimum bond is **\$7,500.00***
For wells more than 10,000 feet deep, the minimum bond is **\$10,000.00**

*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, e.g., a well being drilled under a \$5,000.00 bond may be permitted to go to 5,500 feet and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, NM 87505

KNOW ALL MEN BY THESE PRESENTS:

That Yeso Energy, Inc., (an individual) (a general partnership) (a corporation, limited liability company or limited partnership organized in the State of New Mexico, and authorized to do business in the State of New Mexico), as PRINCIPAL, and U.S. Specialty Insurance Company, a corporation organized and existing under the laws of the State of Texas and authorized to do business in the State of New Mexico, as SURETY, are firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (or successor agency) (the DIVISION), pursuant to NMSA 1978, Section 70-2-14, as amended, in the sum of Five Thousand and no/100, for the payment of which the PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, the PRINCIPAL has commenced or may commence the drilling of one well to a depth not to exceed 5,000 feet, to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or does own or operate, or may acquire, own or operate such well, the identification and location of said well being:

Connie C State #3, located 1930' feet from the North (North/South)
(Name of well)
line and 1650' feet from the West (East/West) line of Section 25 Township 19 (~~XXXX~~)
(South), Range 28 (East) (~~West~~), NMPM, Eddy County, New Mexico.

NOW, THEREFORE, if the PRINCIPAL and SURETY or either of them, or their successors or assigns or any of them, shall cause said well to be properly plugged and abandoned when dry or when no longer productive or useful for other beneficial purpose, in accordance with the rules and orders of the DIVISION, including but not limited to Rules 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 NMAC], as such rules now exist or may hereafter be amended;

THEN AND IN THAT EVENT, this obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Yeso Energy, Inc.
PRINCIPAL
PO Box 8280, Roswell, NM 88202-8280
Address
By [Signature]
Signature
[Signature]
Title

If PRINCIPAL is a corporation, affix corporate seal here.

U.S. Specialty Insurance Company
SURETY
13403 Northwest Freeway, Houston, Texas 77056
Address
[Signature]
Attorney-In-Fact
W. Russell Brown, Jr.
Corporate surety affix corporate seal here.

Yeso Energy, Inc.
Case 13921
OCD Exhibit 2-D

ACKNOWLEDGMENT FORM FOR INDIVIDUAL

STATE OF _____)
 COUNTY OF _____) ss.

This instrument was acknowledged before me on _____, 20__ by _____
 (Name of Individual)

 Notary Public

SEAL

 My Commission Expires

ACKNOWLEDGMENT FORM FOR PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY

STATE OF NEW MEXICO)
 COUNTY OF EDDY) ss.

This instrument was acknowledged before me on 4/26, 2005 by H. E. Gene Lee
 (Name of Person Signing Instrument)
 as President of YESO ENERGY, INC., a New Mexico corporation
 (Capacity, e.g., partner, president, manager, member) (Name of partnership, corporation or limited liability company)

Diane E. Carey
 Notary Public

SEAL

October 29, 2008
 My Commission Expires

ACKNOWLEDGMENT FORM FOR CORPORATE SURETY

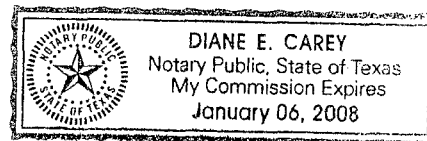
STATE OF Texas)
 COUNTY OF Harris) ss.

This instrument was acknowledged before me on April 26, 2005 by W. Russell Brown, Jr.
 (Name of Attorney in fact)
 as Attorney-in-Fact for U.S. Specialty Insurance Company
 (Name of corporate surety)

Diane E. Carey
 Notary Public

SEAL

January 6, 2008
 My Commission Expires



Corporate Surety attach Power of Attorney

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By David K. BrooksDate 12/6/05

STATE OF NEW MEXICO

ONE-WELL PLUGGING BOND

For CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT,
SANDOVAL, AND SAN JUAN COUNTIES ONLY

BOND NO. B001615
AMOUNT OF BOND \$5,000.00
COUNTY Eddy

NOTE: For wells less than 5,000 feet deep, the minimum bond is **\$5,000.00***
For wells 5,000 to 10,000 feet deep, the minimum bond is **\$7,500.00***
For wells more than 10,000 feet deep, the minimum bond is **\$10,000.00**

*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, e.g., a well being drilled under a \$5,000.00 bond may be permitted to go to 5,500 feet and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

File with Oil Conservation Division, 1220 South Saint Francis, Santa Fe, NM 87505

KNOW ALL MEN BY THESE PRESENTS:

That Yeso Energy, Inc., (an individual) (a general partnership) (a corporation, limited liability company or limited partnership organized in the State of New Mexico, and authorized to do business in the State of New Mexico), as PRINCIPAL, and U.S. Specialty Insurance Company, a corporation organized and existing under the laws of the State of Texas and authorized to do business in the State of New Mexico, as SURETY, are firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (or successor agency) (the DIVISION), pursuant to NMSA 1978, Section 70-2-14, as amended, in the sum of Five Thousand and no/100, for the payment of which the PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, the PRINCIPAL has commenced or may commence the drilling of one well to a depth not to exceed 5,000 feet, to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or does own or operate, or may acquire, own or operate such well, the identification and location of said well being:

Connie C State #3, located 1930' feet from the North (North/South)
(Name of well)
line and 1650' feet from the West (East/West) line of Section 25 Township 19 (~~XXXX~~)
(South), Range 28 (East) (~~XXXX~~), NMPM, Eddy County, New Mexico.

NOW, THEREFORE, if the PRINCIPAL and SURETY or either of them, or their successors or assigns or any of them, shall cause said well to be properly plugged and abandoned when dry or when no longer productive or useful for other beneficial purpose, in accordance with the rules and orders of the DIVISION, including but not limited to Rules 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 NMAC], as such rules now exist or may hereafter be amended;

THEN AND IN THAT EVENT, this obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Yeso Energy, Inc.
PRINCIPAL

PO Box 6260, Roswell, NM 88202-9260

Address

By [Signature]

Signature

Title

If PRINCIPAL is a corporation, affix
corporate seal here.

U.S. Specialty Insurance Company
SURETY

13403 Northwest Freeway, Houston, Texas 77056

Address

[Signature]

Attorney-In-Fact

W. Russell Brown, Jr.

Corporate surety affix
corporate seal here.

Yeso Energy, Inc.
Case 13921
OCD Exhibit 2-D

ACKNOWLEDGMENT FORM FOR INDIVIDUAL

STATE OF _____)
 COUNTY OF _____) ss.

This instrument was acknowledged before me on _____, 20____ by _____
 (Name of Individual)

 Notary Public

SEAL

My Commission Expires _____

ACKNOWLEDGMENT FORM FOR PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY

STATE OF NEW MEXICO)
 COUNTY OF EDDY) ss.

This instrument was acknowledged before me on 4/26, 2005 by H. E. Gene Lee
 (Name of Person Signing Instrument)
 as President of YESO ENERGY, INC., a New Mexico corporation
 (Capacity, e.g., partner, president, manager, member) (Name of partnership, corporation or limited liability company)

Sue C. Pemberton
 Notary Public

SEAL

October 29, 2008
 My Commission Expires

ACKNOWLEDGMENT FORM FOR CORPORATE SURETY

STATE OF Texas)
 COUNTY OF Harris) ss.

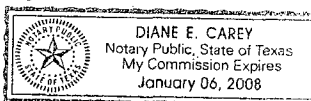
This instrument was acknowledged before me on April 26, 2005 by W. Russell Brown, Jr.
 (Name of Attorney in fact)
 as Attorney-in-Fact for U.S. Specialty Insurance Company
 (Name of corporate surety)

W. Russell Brown, Jr.
 Notary Public

SEAL

January 6, 2008
 My Commission Expires

Corporate Surety attach Power of Attorney



APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By David K. B...Date 12/6/05

POWER OF ATTORNEY

PA001615R05-16-05

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

Know All Men by These Presents That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver **any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000)** and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the Senior Vice President, sealed with the corporate seal of the Company and duly attested by its Assistant Corporate Secretary, hereby ratifying and confirming all that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of U. S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

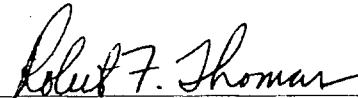
Further resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

In Witness Whereof, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its **Senior Vice President**, and its corporate seal to be hereto affixed this 19th day of October, 2005.

Corporate Seal

U. S. SPECIALTY INSURANCE COMPANY

By



Robert F. Thomas, Senior Vice President

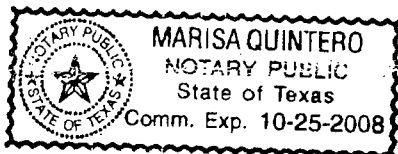
State of Texas

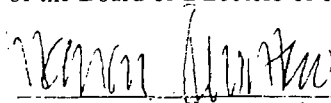
County of Harris

ss:

On this 19th day of October, 2005 before me personally came Robert F. Thomas, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is Senior Vice President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal



 Notary Public
My commission expires 10/25/08

I, Debra M. Green, Assistant Corporate Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 29th day of April, 20 05

Corporate Seal



Debra M. Green, Assistant Corporate Secretary

Bond No. B001615R05-16-05

SURETY RIDER

To be attached to and form a part of Bond No. B001615 on behalf of
Yeso Energy, Inc., as principal and executed by
U.S. Specialty Insurance Company, as surety.

Effective date of bond: 04/29/05

Effective date of change: 04/29/05

In consideration of the mutual agreement herein contained, the principal and the surety hereby consent to the following changes:

The legal description changed from:

Connie C State #3 1390' FNL and 1650' FWL of Section 25,
Township 19 South, Range 28 East, Eddy County, New Mexico

TO:

**Connie C State #3 1650' FSL and 1930' FWL of Section 25,
Township 19 South, Range 28 East, Eddy County, New Mexico**

Nothing herein contained shall vary, alter, or extend any provision or condition of this bond except as herein expressly stated.

SIGNED, SEALED AND DATED THIS: April 29, 2005

Yeso Energy, Inc.
Name of Principal

H.E. Gene Lee
Signature

H.E. Gene Lee, President
Name and title of person
executing for Principal

U.S. Specialty Insurance Company
Name of Surety

W. Russell Brown, Jr.
Signature

W. Russell Brown, Jr. Attorney-in-Fact
Name and title of person
executing for Surety

POWER OF ATTORNEY

PA001615

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

Know All Men by These Presents That, **U. S. SPECIALTY INSURANCE COMPANY** (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver **any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000)** and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the Executive Vice President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

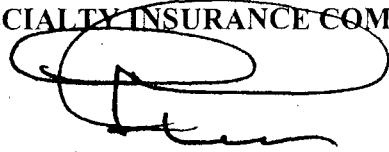
Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

In Witness Whereof, **U. S. SPECIALTY INSURANCE COMPANY** has caused these presents to be signed by its **Executive Vice President**, and its corporate seal to be hereto affixed this 15th day of March, 2005.

Corporate Seal

U. S. SPECIALTY INSURANCE COMPANY

By



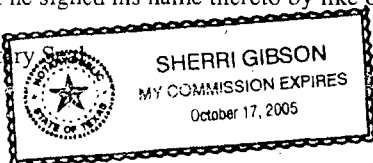
Edward H. Ellis, Jr., Executive Vice President


State of Texas

County of Harris ss:

On this 15th day of March, 2005 before me personally came Edward H. Ellis, Jr., to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is Executive Vice President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal



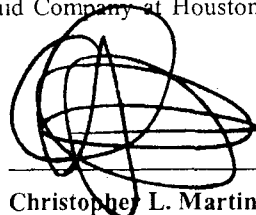
 Notary Public

My commission expires 10-17-05

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 26th day of April, 2005.

Corporate Seal



Christopher L. Martin, Secretary

**Important Notice Regarding
Terrorism Risk Insurance Act of 2002**

In accordance with the Terrorism Risk Insurance Act of 2002 (the "Act"), this disclosure notice is provided for surety bonds on which U.S. Specialty Insurance Company is the issuing surety.

The premium attributable to any bond coverage for "acts of terrorism" as defined in Section 102(1) of the Act is Zero Dollars (\$0.00).

The United States will reimburse the Issuing Sureties for ninety percent (90%) of any covered losses from terrorist acts certified under the Act exceeding the applicable surety deductible.

The actual coverage provided by your bond for acts of terrorism, as is true for all coverages, is limited by the terms, conditions, exclusions, penalties, limits, other provisions of your bond and the underlying contract, any endorsements to the bond and generally applicable rules of law. This Important Notice Regarding Terrorism Insurance Risk Act of 2002 is for informational purposes only and does not create coverage nor become a part or condition of the attached document.

YOU SHOULD KNOW THAT COVERAGE PROVIDED BY THIS POLICY, IF WRITTEN, FOR LOSSES CAUSED BY CERTIFIED ACTS OF TERRORISM, WILL BE EXCLUDED IF THE U.S. GOVERNMENT FAILS TO ENACT AN EXTENSION TO TRIA OR ENACTS CHANGES TO TRIA THAT SUBSTANTIALLY CHANGE THE RISK OF LOSS THAT AN INSURER OR POLICYHOLDER HAS ASSUMED.

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Post Office Box 1600
San Antonio, Texas 78296-1600

October 20, 2006

New Mexico Energy Minerals and
Natural Resources Department
Oil Conservation Division
1220 South St. Francis
Santa Fe, New Mexico 87505
Attn: Dorothy Phillips

Dear Ms. Phillips:

At the request of Aleanna Resources, LLC., we are enclosing with this letter the original Amendment No. 1, to our Irrevocable Standby Letter of Credit No. 25446-SA, which has been established in your favor.

If you are unable to comply, contact both your customer and bank. **Please acknowledge receipt and agreement to the Letter of Credit Amendment, by signing the enclosed copy and returning it to us.**

Sincerely,

Sandra M. De León
Letters of Credit Specialist

Enclosure

cc: Aleanna Resources, LLC.
2409 Ella Lee
Houston, Texas 77019
Attn: Michael D. McGhee



Frost Bank

Post Office Box 1600
San Antonio, Texas 78296-1600

October 20, 2006

LETTER OF AMENDMENT NO. 1

RE: OUR IRREVOCABLE STANDBY CREDIT
LETTER OF CREDIT NO. 25446-SA
DATED October 16, 2006

New Mexico Energy Minerals and
Natural Resources Department
Oil Conservation Division
1220 South St. Francis
Santa Fe, New Mexico 87505
Attn: Dorothy Phillips

Gentlemen:

In accordance with instructions received from Aleanna Resources, LLC, 2409 Ella Lee, Houston, Texas 77019, the captioned Credit issued in your favor is amended as follows:

1. First Paragraph, last sentence delete: This Letter of Credit is established for Aleanna Resources, LLC. whose address is 2409 Ella Lee, Houston, Texas 77019 as APPLICANT.

First Paragraph, last sentence add: This Letter of Credit is established for Yeso Energy, Inc., whose address is P.O. Box 2248, 3103 Yeso Road, Roswell, New Mexico 89250 as APPLICANT.

All other terms and conditions remain unchanged.

As this letter is to be considered a part of the aforementioned credit instrument, it should be attached thereto.

Cordially yours,

Chris Bradbury, Sr. Vice President

LCB/smd



Frost Bank

2006 OCT 17 AM 10 27

Post Office Box 1600
San Antonio, Texas 78296-1600

October 16, 2006

New Mexico Energy Minerals and
Natural Resources Department
Oil Conservation Division
1220 South St. Francis
Santa Fe, New Mexico 87505
Attn: Dorothy Phillips

Dear Ms. Phillips:

At the request of Aleanna Resources, LLC, we have established in your favor the enclosed Irrevocable Standby Letter of Credit No. 25446-SA, in the amount of U.S.\$9,000.00.

Please examine this instrument carefully. If you are unable to comply with the terms and conditions, please communicate with your customer to arrange for an amendment.

All drawings under this credit must be accompanied by the original Letter of Credit for endorsement. For any request to remit funds to a bank other than The Frost National Bank a fee of \$11.00 will be deducted for a wire transfer or \$5.00 for a cashier check.

If we can be of further assistance, please do not hesitate to call us at (210) 220-5567.

Sincerely,

Sandra M. De León
Letters of Credit Specialist

Enclosure

cc: Aleanna Resources, LLC
2409 Ella Lee
Houston, Texas 77019
Attn: Michael D. McGhee



Post Office Box 1600
San Antonio, Texas 78296-1600

**State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division**

**Irrevocable Letter of Credit
(5-Year - Automatically Renewable)**

File with Oil Conservation Division, 1220 South St. Francis, Santa Fe, New Mexico 87505

LETTER OF CREDIT NO. 25446-SA

Effective Date: October 16, 2006

The Frost National Bank, a national or state chartered banking association, as ISSUER, hereby establishes this irrevocable Letter of Credit for the use and benefit of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (or successor agency) of the State of New Mexico (the DIVISION), pursuant to NMSA 1978, Section 70-2-14, as amended, for an aggregate amount not to exceed Nine Thousand and 00/100 Dollars (\$9,000.00) in United States dollars (Face Amount) effective on the date indicated above. This Letter of Credit is established for Aleanna Resources, LLC. whose address is 2409 Ella Lee, Houston, Texas 77019 as APPLICANT.

1. The APPLICANT has requested that this letter of credit be issued to the DIVISION as financial assurance for the APPLICANT pursuant to statutory and regulatory requirements of the State of New Mexico set forth in Section 70-2-14 NMSA, as amended, and in Rule 101 [19.15.3.101 NMAC].

2. This Letter of Credit is irrevocable for the term hereof, and is furnished as financial assurance for the compliance by the APPLICANT with all applicable statutes of the State of New Mexico and with all rules and orders of the Oil Conservation Commission and DIVISION, including requirements to cause wells in the State of New Mexico now or hereafter owned or operated by Applicant to be properly plugged and abandoned, if dry, or when no longer productive or useful for a beneficial purpose, in accordance with the rules and orders of the Division, including but not limited to Rule 101 [19.15.3.101 NMAC] and Rule 202 [19.15.4.202 NMAC], as the same now exist or may be hereafter amended.



Post Office Box 1600
San Antonio, Texas 78296-1600

Page two, which forms an integral part of Letter of Credit No. 25446-SA

3. This Letter of Credit will expire on October 16, 2011; unless sooner released by written notice to the ISSUER by the DIVISION. Upon the expiration date, this Letter of Credit shall be automatically renewed for an additional term of five years commencing on such expiration date, and likewise for successive terms of five years each upon the occurrence of each subsequent scheduled expiration date, unless the ISSUER has, at least thirty days prior to any scheduled expiration date, mailed written notice of non-renewal, by certified mail, return receipt requested, to the DIVISION. This Letter of Credit may be forfeited and collected by the DIVISION if not replaced by approved financial assurance at least 30 days before the expiration date hereof.

4. Funds under this Letter of Credit are available against the DIVISION's sight draft, in the form of Exhibit A, specifying Letter of Credit No. 25446-SA, delivered to the office of the ISSUER at 100 West Houston Street, San Antonio, Texas 78205, Attention: Letter of Credit Department RB-2, accompanied by a certificate in the form of Exhibit B, signed by the Director of the DIVISION or the Director's duly authorized representative. At the Division's sole election, the DIVISION may present sight drafts for less than the Face Amount at any time and from time to time so long as this letter of credit remains in force, provided that the aggregate amount of all such drafts shall not exceed the Face Amount.

5. If the ISSUER receives the DIVISION's sight draft(s) and certificate(s) as provided in Paragraph 4, above, on or before the expiration or termination of this Letter of Credit, the ISSUER shall make such amount as the DIVISION may specify, up to an aggregate amount not to exceed the Face Amount of this Letter of Credit, available to the DIVISION no later than 5 p.m. in Santa Fe, NM on the second business day following the ISSUER's receipt of the sight draft and certificate, and in such a manner as the DIVISION may specify.

6. The ISSUER shall give prompt notice to the APPLICANT and to the DIVISION of any notice received or action filed alleging the insolvency or bankruptcy of the ISSUER, or alleging any violations of regulatory requirements that could result in suspension or revocation of the ISSUER's charter or license to do business.



Post Office Box 1600
San Antonio, Texas 78296-1600

Page three, which forms an integral part of Letter of Credit No. 25446-SA

7. This Letter of Credit shall be governed by the laws of the State of New Mexico, and, to the extent not inconsistent with such laws, by International Chamber of Commerce Publication No. 500, entitled "Uniform Customs and Practice for Documentary Credits" (most recent revision).

8. All communications regarding this Letter of Credit shall be addressed to the ISSUER at 100 West Houston Street, San Antonio, Texas 78205, Attention: Letter of Credit Department RB-2.

Very Truly yours,

The Frost National Bank

By: Chris Bradbury

Title: Sr. Vice President

Effective Date: October 16, 2006

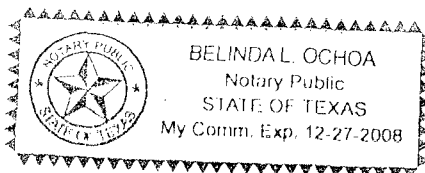
State of TEXAS SS
County of BEXAR

This instrument was acknowledged before me on this 16th day of OCTOBER 2006
by CHRIS BRADBURY (Title) of The Frost National Bank (ISSUER).
Sr. Vice President

Notary Public

My Commission Expires:

12-27-2008



NOTICE: The attached exhibits must be initialed by the party signing this letter of credit for the Financial Institution. If this letter of credit is executed by an officer other than the President, a Vice President, or a branch manager, it must be accompanied by a certified resolution of the Board of Directors of the Financial Institution, certifying to the authority of the signing officer to execute letters of credit in at least the Face Amount.

EXHIBIT A - SIGHT DRAFT

to
Letter of Credit No. 25446-SA

Date: _____

PAY TO THE ORDER OF NEW MEXICO OIL CONSERVATION DIVISION
(\$ _____) _____ DOLLARS.

TO: The Frost National Bank
100 West Houston Street
San Antonio, Texas 78205
Attn: Letter of Credit Department RB-2

New Mexico Energy Minerals and
Natural Resources Department
Oil Conservation Division
1220 South St. Francis
Santa Fe, New Mexico 87505

By: _____

Date _____

**Initials of Representative of
Financial Institution**

CB

EXHIBIT B
to
Letter of Credit No. 25446-SA

I, _____, a duly authorized representative of the New Mexico Oil Conservation Division, hereby certify that: (1) the drawing in the amount of _____ Dollars (\$ _____), by sight draft accompanying this certificate, under Letter of Credit No. _____ dated _____ issued by you, is duly authorized in accordance with the New Mexico Oil and Gas Act (NMSA 1978, Sections 70-2-1 through 70-2-38, as amended) and applicable rules of the New Mexico Oil Conservation Division; (2) the amount of the sight draft, together with any amounts previously drawn under the Letter of Credit, does not exceed the Face Amount of the Letter of Credit; and (3) the New Mexico Oil Conservation Division has directed the forfeiture of the Letter of Credit.

New Mexico Oil Conservation Division

By: _____

Date _____

**Initials of Representative of
Financial Institution**

CPX